

Message Text

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43

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TR:HLAWRENCE

TREASURY:JSCHOTT

TATE:RWHITE

STATE:NACHILLES

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TO AMEMBASSY STOCKHOLM

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EO. 11652: N/A

TAGS: ETRD, SW

SUBJECT: GOS SUBSIDIZATION OF INVENTORY BUILDUP

REF: STOCKHOLM 5407 (OCT 25, 75)

1. REFTEL REPORTED ON GOS LAW AUTHORIZING SUBSIDY PAYMENTS TO FIRMS THAT PARTICIPATE IN PROGRAM TO MAINTAIN EMPLOYMENT IN MANUFACTURING FIRMS DURING 12-MONTH PERIOD BEGINNING JULY 1, 1975 AT LEVELS PREVAILING ON JUNE 1, 1975 WE UNDERSTAND SUBSIDY CALCULATED AT RATE OF 20 PERCENT OF COST OF INVENTORY BUILDUP BEYOND LEVEL EXISTING ON JULY 1, 1975.

2. EMBASSY REQUESTED TO PROVIDE REPORT ON CURRENT STATUS
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OF FOREGOING PROGRAM AND SUCH INFORMATION AVAILABLE ON

PERFORMANCE UNDER IT DURING ONE-YEAR PERIOD WHICH ENDED JUNE 30, 1976. WE WOULD ALSO APPRECIATE COMMENTS ON POSSIBLE TRADE DISTORTIONS (E.G., INHIBITING OF IMPORTS AND STIMULATION OF EXPORTS) RESULTING FROM THE SUBSIDY PAYMENTS FOR PRODUCTS AFFECTED.

3. A MEMBER OF THE INDUSTRY POLICY ADVISORY COMMITTEE (IPAC) FOR THE MULTILATERAL TRADE NEGOTIATIONS HAS EXPRESSED AN INTEREST IN THE EFFECT OF THE SUBSIDY ON THE PULP AND PAPER INDUSTRY. THOUGH SWEDISH PULP AND PAPER

SECTOR WAS MAJOR PARTICIPANT IN SIMILAR PROGRAM DURING 1971-73 RECESSIONARY PERIOD, REFTEL INDICATED THIS SECTOR PLANNED CUTBACKS DURING FOURTH QUARTER OF 1975, WITH NO INCREASE IN PRODUCTION DURING FIRST HALF OF 1976. IN VIEW EXPRESSED INTEREST BY IPAC MEMBER IN SUBSIDY GOING TO PULP AND PAPER INDUSTRY, WOULD LIKE SPECIFIC COMMENTS ON BENEFITS WHICH THAT INDUSTRY RECEIVED UNDER THE SUBSIDY PROGRAM. HABIB

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